CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

TERRABIOGEN TECHNOLOGIES INC.

(Expressed in Canadian Dollars)

For the nine months ended March 31, 2018

(Unaudited – Prepared by Management)

Notice: These condensed consolidated interim financial statements have been prepared by management and they have not been reviewed by the Company's external auditors

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of TerraBioGen Technologies Inc. for the nine months ended March 31, 2018 have been prepared by management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

Under National Instrument 51-102, Part 4, subsection 4.3 (3)(a), if an auditor has not performed a review of the consolidated interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Canadian institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

TERRABIOGEN TECHNOLOGIES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited – Prepared by management)

		March 31, 2018		June 30, 2017
ASSETS				
Current				
Cash	**$**	**37,777**	$	213,957
Amounts receivable		**5,922**		15,298
Inventory		**23,610**		23,610
Deposits and prepaid expenses		**7,800**		17,497
CURRENT ASSETS		**75,109**		270,362
Property and equipment		**107,322**		115,990
Long term assets		**47,355**		47,355
TOTAL ASSETS	**$**	**229,786**	$	433,707
LIABILITIES				
Current				
Accounts payable and accrued expenses	**$**	**233,854**	$	342,022
CURRENT LIABILITIES		**233,854**		342,022
Deferred rent (Note 6)		**8,688**		-
Provision for dismantling		**6,447**		6,447
TOTAL LIABILITIES		**248,989**		348,469
SHAREHOLDERS' EQUITY				
Share capital (Note 4)		**40,903,264**		40,478,088
Contributed surplus		**2,993,245**		2,842,421
Deficit		**(43,915,712)**		(43,235,271)
SHAREHOLDERS' EQUITY (DEFICIENCY)		**(19,203)**		85,238
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$**	**229,786**	$	433,707

Nature of Operations and Going Concern (Note 1)
Commitments (Note 6)

Signed on its behalf by:

"Blair Heffelfinger"
Director

"Theodore Deuel"
Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

TERRABIOGEN TECHNOLOGIES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
For the Nine Months ended March 31
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Nine months 2018	Nine months 2017	**Three months 2018**	Three months 2017
REVENUE				
Other	$ 862	$ -	$ -	$ -
TOTAL REVENUE	-	-	-	-
EXPENSES				
Administration	$ 249,177	$ 303,954	$ 74,555	$ 109,613
Research and development	434,743	435,153	146,046	149,958
TOTAL EXPENSES	683,920	739,107	221,455	259,571
Loss before other items	(683,058)	(739,107)	(221,455)	(259,571)
Other items:				
Gain on sale of property and equipment	3,898	-	3,898	-
Interest income	222	14	-	-
Interest expense	(1,503)	(2,929)	(401)	(838)
TOTAL OTHER ITEMS	2,617	(2,915)	3,597	(838)
NET LOSS AND COMPREHENSIVE LOSS	$ (680,441)	$ (742,022)	$ (217,858)	$ (260,409)
BASIC AND DILUTED LOSS PER SHARE	$ (0.29)	$ (0.37)	$ (0.09)	$ (0.13)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	2,358,432	1,988,053	2,435,513	2,030,046

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

TERRABIOGEN TECHNOLOGIES INC.
CONSOLIDATED INTERIM STATEMENTS OF SHAREHOLDERS' DEFICIT
For the Periods Ended March 31
(Expressed in Canadian Dollars)

	Common shares						
	Number of Shares	Amount	Commitment to Issue Shares	Contributed Surplus	Accumulated Deficit	Total
Balance at July 1, 2016	1,967,513	$ 39,656,113	$ -	$ 2,405,759	$ (41,955,291)	$ 106,581
Commitment to issue shares	-	-	288,000	-	-	288,000
Shares issued for cash	84,000	420,000	-	-	-	420,000
Issue of warrants	-	(56,564)	-	56,564	-	-
Comprehensive loss for the period	-	-	-	-	(742,022)	(742,022)
Balance at March 31, 2017	2,051,513	$ 40,019,549	$ 288,000	$ 2,462,323	$ (42,697,313)	$ 72,559
Balance at July 1, 2017	2,243,513	$ 40,478,088	$ -	$ 2,842,421	$ (43,235,271)	$ 85,238
Shares issued for cash	192,000	576,000	-	-	-	576,000
Issue of warrants	-	(150,824)	-	150,824	-	-
Comprehensive loss for the period	-	-	-	-	(680,441)	(680,441)
Balance at March 31, 2018	2,435,513	$ 40,903,264	$ -	$ 2,993,245	$ (43,915,712)	$ (19,203)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

TERRABIOGEN TECHNOLOGIES INC.
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
For the Nine Months ended March 31
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

		2018		2017
OPERATIONS				
Net loss	$	(680,441)	$	(742,022)
Items not involving cash:				
Depreciation		27,668		53,780
Interest expense		1,503		2,929
Deferred rent		8,688		-
Accretion on provision for dismantling		-		157
		(642,582)		(685,156)
Changes in non-cash working capital balances:				
Amounts receivable		9,376		154
Deposits and prepaid expenses		9,697		16,598
Accounts payable and accrued liabilities		(108,169)		(43,229)
		(731,678)		(711,633)
Interest paid		(1,503)		(2,930)
CASH USED IN OPERATING ACTIVITIES		(733,181)		(714,563)
INVESTING				
Purchase of property and equipment		(21,101)		(5,283)
Sale of property and equipment		2,102		-
CASH USED IN INVEST ACTIVITIES		(18,999)		(5,283)
FINANCING				
Increase in bank loans		-		
Common shares issued		576,000		420,000
Cash received for commitment to issue shares		-		288,000
CASH PROVIDED BY FINANCING ACTIVITIES		576,000		708,000
Increase (decrease) in cash		(176,180)		(11,846)
Cash, beginning of period		213,957		176,855
CASH AND CASH EQUIVALENTS, end of period	$	37,777	$	165,009

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

TerraBioGen Technologies Inc. was incorporated in British Columbia, Canada, on August 17, 1993.

The Company has identified active ingredients that impart growth promotion and disease suppression in plants, and is planning to commercialize this technology. In recent years, the company has increased its research and development capabilities including a lab scale pilot line. The facility in Burnaby, BC is used exclusively for strain screening and development, product formulation, growth room and greenhouse trials, and production of materials for field trials.

These unaudited condensed consolidated interim financial statements have been prepared on a going concern basis. At March 31, 2018, the Company had a working capital deficiency of $158,745 (2017 – $(99,869)), an accumulated deficit of $43,915,712 (2017 - $42,697,317), and a net cash outflow from operating activities of $752,180 for the nine months then ended (2017 - $714,563). These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon the continued support of its major shareholders, and ultimately, generating profitable operations and positive operating cash flows. Failure to obtain sufficient financing or other appropriate arrangements would require the Company's assets and liabilities to be restated on a liquidation basis which may differ significantly from the going concern basis. These unaudited condensed consolidated interim financial statements do not give effect to any adjustments or disclosures which would be necessary should the Company be unable to continue as a going concern.

The address of the Company's corporate office and principal place of business is 8536 Baxter Place, Burnaby, BC V5A 4T8.

2. BASIS OF PRESENTATION

Basis of Presentation

The unaudited condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those in the Company's consolidated financial statements for the year ended June 30, 2017. These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting.* Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards have been omitted or condensed.

Certain comparative amounts have been reclassified to conform with the financial statement presentation adopted for the current year.

These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended June 30, 2017.

Approval of the Financial Statements

These unaudited condensed consolidated interim financial statements were approved for issuance by the Board of Directors on May 22, 2018.

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (continued)

Use of estimates

The preparation of these condensed consolidated financial statements, in compliance with IFRS, requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. Significant areas requiring the use of management estimates include the fair value of property and equipment, deferred income tax asset valuations, provision for dismantling, and fair value measurements for financial instruments and share-based compensation. Actual results could differ from those estimates.

3. BANK LOAN

The Company has a loan agreement with HSBC Bank Canada under a credit facility. The credit facility consists of a $100,000 operating loan which bears interest at the bank's prime rate plus 1.25% per annum and is payable on demand. The loan is secured by a general security agreement providing a first security interest in all of the Company's assets and ranks ahead of all other loans. As at March 31, 2018 and as at June 30, 2017, the Company had no outstanding drawings against this credit facility.

4. SHARE CAPITAL

Authorized Share Capital

The Company has authorized share capital of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. There have been no preferred shares issued as at March 31, 2018.

Issued and outstanding: See Consolidated Statement of Changes in Shareholders' Equity

Since July 1, 2016, the following share transactions occurred:

a) On January 24, 2017, the Company issued 84,000 units at $5.00 per unit for gross proceeds of $420,000. Each unit consists of one common share and one warrant exercisable at $6.00 per share until January 23, 2022.

b) On May 30, 2017, the Company issued 192,000 units for gross proceeds of $576,000. Each Unit consists of one common share and one warrant exercisable at $5.00 per share expiring until May 29, 2022.

c) On October 10, 2017, the Company issued 192,000 units for gross proceeds of $576,000. Each Unit consists of one common share and one warrant exercisable at $5.00 per share expiring until October 19, 2022.

Warrants – Details of share purchase warrants during the periods ended March 31, 2018 and June 30, 2017 are as follows:

	Nine Months Ended Mar. 31, 2018		Year Ended June 30, 2017	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, beginning of period	**869,125**	**$ 8.93**	593,125	$ 10.62
Expired	**(90,000)**	**15.00**	-	-
Issued	**192,000**	**5.00**	276,000	5.30
Outstanding, end of period	**971,125**	**$ 7.87**	869,125	$ 8.93

(Expressed in Canadian Dollars)

4. SHARE CAPITAL (continued)

As at March 31, 2018, the Company had share purchase warrants outstanding and exercisable as follows:

Number of Warrants Outstanding and Exercisable				
Mar. 31, 2018	June 30, 2017	Exercise Price per Share	Expiry Date	Weighted average Remaining Life
-	90,000	$12.00	March 7, 2018	
46,000	46,000	$12.00	May 31, 2018	0.17 years
43,000	43,000	$12.00	Sept. 5, 2018	0.43 years
42,000	42,000	$12.00	Oct. 25, 2018	0.57 years
8,123	8,123	$12.00	Oct. 31, 2018	0.57 years
21,000	21,000	$12.00	Jan. 22, 2019	0.81 years
21,000	21,000	$12.00	April 24, 2019	1.06 years
21,000	21,000	$12.00	June 10, 2019	1.19 years
21,000	21,000	$12.00	Sept. 8, 2019	1.44 years
42,000	42,000	$12.00	Dec. 28, 2019	1.74 years
42,000	42,000	$12.00	Feb. 18, 2020	1.89 years
42,000	42,000	$12.00	July 12, 2020	2.31 years
84,000	84,000	$6.00	Dec. 28, 2020	2.75 years
70,002	70,002	$7.50	May 5, 2021	3.10 years
84,000	84,000	$6.00	Jan. 23,2022	3.82 years
192,000	192,000	$5.00	May 29, 2022	4.16 years
192,000	-	$5.00	Oct. 19, 2022	4.56 years
971,125	869,125			**2.93 years**

The Company uses the Black-Scholes pricing model to estimate the fair value of share purchase warrants. The fair value of the warrants as estimated using the Black-Scholes pricing model also considers a discount factor due to the lack of liquidity of the warrants. The model requires management to make estimates which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values. For purposes of the calculation, the following weighted average assumptions were used:

	Nine months ended Mar. 31, 2018	Year ended June 30, 2017
Risk-free interest rate	**1.70%**	0.99%
Expected dividend yield	**0%**	0%
Expected stock price volatility	**79%**	67%
Expected life of warrants	**5.00 years**	5.00 years

The weighted average fair value of the warrants issued during the period was $0.79 (year ended June 30, 2017 - $0.75).

(Expressed in Canadian Dollars)

4. SHARE CAPITAL (continued)

Stock options

The Company grants stock options to directors, officers, employees and consultants as compensation for services, pursuant to its Incentive Stock Option Plan (the "Plan") instituted in 1999 and amended, most recently in July 2010. Options issued pursuant to the Plan have an exercise price as determined by the Board. Options have a maximum expiry period of ten years from the grant date. The number of options, which may be issued under the plan, is limited to no more than 10% of the Company's issued and outstanding shares on the grant date. The aggregate number of options granted to any one optionee in a twelve-month period is limited to 5% of the Company's issued shares at the time the options are granted. Options granted under the plan are subject to vesting terms determined by the Board.

A summary of the Company's share options at March 31, 2018 and June 30, 2017 and the changes for the periods ended on those dates is presented below:

	Nine months ended March 31, 2018		Year ended June 30, 2017	
	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
Opening balance	177,000	$5.00	5,000	$12.00
Forfeited or expired	(1,500)	(5.00)	(5,000)	(12.00)
Granted	-	-	177,000	5.00
Ending balance	175,500	$5.00	177,000	$5.00

The Company had the following share options outstanding and exercisable:

March 31, 2018

Quantity Outstanding	Quantity Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining Life
90,000	90,000	$5.00	Mar. 20, 2027	8.98 years
85,500	85.500	$5.00	May 23, 2027	9.15 years
175,500	**175,500**			**9.03 years**

The Company uses the Black-Scholes pricing model to estimate the fair value of stock options. The fair value of the stock options as estimated using the Black-Scholes pricing model also considers a discount factor due to the lack of liquidity of the stock options. The model requires management to make estimates which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values. For purposes of the calculation, the following weighted average assumptions were used:

	Nine months ended Mar. 31, 2018	Year ended June 30, 2017
Risk-free interest rate	**-**	1.57%
Expected dividend yield	**-**	0%
Expected stock price volatility	**-**	86%
Expected life of options	**-**	10.00 years

(Expressed in Canadian Dollars)

5. RELATED PARTY TRANSACTIONS

Related party transactions during the nine months ended March 31, 2018:

a) Consulting fees of $19,193 (2017 - $4,000) were expensed for services provided by a company controlled by an officer.

b) Prepaid expenses includes fees prepaid to directors of $7,800 (2017 - $Nil). Fees to directors of $6,400 (2017 - $10,600) were expensed during the nine months, and fees of $20,000 (2017 – $9,600) were paid to directors during the nine months ended March 31, 2018.

6. RENT COMMITMENTS

In the year ended June 30, 2013, the Company signed a lease for premises located in Burnaby, British Columbia. The lease was renewed for an additional four-year term in May 2017. The future minimum lease payments are as follows:

2018	$15,188
2019	91,406
2020	94,500
2021	86,625

The Company paid a security deposit of $7,612 which will be applied against the final month's rent.

During the first 3 years of the renewed lease, the Company receives free lease periods. The total cost of the lease is spread equally over the full lease term resulting in higher expense than actually paid and deferred rent ($8,688) that will be realized as the rent free months occur.

7. GOVERNMENT ASSISTANCE

The Company receives government assistance under a number of government programs. During the nine months ended March 31, 2018, the Company filed claims for $28,900 and payment for all of these amounts were received by March 31, 2018. The Company was also required to repay $12,280 as a partial amount of a grant under the terms of the agreement.

8. SUBSEQUENT EVENT

Subsequent to March 31, 2018, the Company was in the process of closing a non-brokered convertible loan of $300,000 (the "loan") for a one year term with interest at 5.00% per annum, payable quarterly. The loan may be converted into 300,000 shares and 300,000 warrants exercisable at $1.50 per share expiring in five years. .

TERRABIOGEN TECHNOLOGIES INC.

MANAGEMENT DISCUSSION & ANALYSIS

For the nine months ended March 31, 2018

This discussion and analysis of financial position and results of operations is prepared as at May 22, 2018. The Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of TerraBioGen Technologies Inc. (the "Company") as at and for the year ended June 30, 2017 and the unaudited condensed consolidated financial statements for the nine months ended March 31, 2018 and related notes thereof which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Except as otherwise disclosed, all dollar figures included therein and the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com or the Company's website at www.terrabiogen.com.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. Forward-looking statements, which involve assumptions and describe our future plans, strategies, and expectations, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "plan," "intend" or "project" or the negative of these words or other variations on these words or comparable terminology. Readers are cautioned regarding statements discussing profitability; growth strategies; anticipated trends in our industry; our future financing plans; and our anticipated needs for working capital.

While it is impossible to identify all such factors, factors that could cause actual results to differ materially from those estimated by us include: inability or delays in achieving its technical development and commercialization milestones, environmental factors that could impact the Company's product field trial performance, delays in achieving regulatory approval of its products, inability or delays in securing the necessary funding to complete the development and commercialization of its products.

The Company disclaims any obligation or intention to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise, unless required to do so by law.

Description of the Business

TerraBioGen Technologies Inc. was incorporated in British Columbia, Canada, on August 17, 1993. The Company's common shares were traded on the TSX Venture Exchange until June 11, 2012 when they were delisted at the Company's request.

The Company is developing microbial metabolite bioactive materials that can improve plant health and yield, and impart biotics and abiotic stress tolerance in plants. The Company is in the process of commercializing this technology. In recent years, the company has increased its research and development capabilities including a lab scale pilot line. The facility in Burnaby, BC is used exclusively for strain screening and development, product formulation, growth room and greenhouse trials, and production of materials for field trials and commercialization.

The Company is committed to research and development to continue to improve the effectiveness of its technologies, the quality of its products, and the creation of new product lines and formulations. Through collaborations with some of the leading agricultural institutes in North America and funding from Canadian national and provincial government programs, TerraBioGen is developing and testing microbial derived bioactive materials that are responsible for the improved crop yields and increase stress tolerance in a wide range of plant varieties. Further, the Company is taking steps to secure intellectual property rights to these bioactive materials and to formulate them in order to fully commercialize their potential.

Overall Performance

The Company is a development company with minimal revenues to date from its activities.

Quarterly Financial Results

	Year ended June 30, 2018			Year ended June 30, 2017				2016
	Jan-Mar/18 **Q3 2018**	Oct-Dec/17 **Q2 2018**	Jul-Sep/17 **Q1 2018**	Apr-Jun/17 **Q4 2017**	Jan-Mar/17 **Q3 2017**	Oct-Dec/16 **Q2 2017**	Jul-Sep/16 **Q1 2017**	Apr-Jun/16 **Q4 2016**
Revenues	$ -	$ -	$ 862	$ 1,459	$ -	$ -	$ -	$ -
Loss before other income (expense)	(216,957)	(259,583)	(201,721)	(537,241)	(258,652)	(282,194)	(198,261)	(318,686)
Net finance expense	(401)	(407)	(572)	(718)	(838)	(787)	(1,289)	(532)
Gain/loss on sale of assets	-	-	-	-	-	-	-	140
Net Loss	(217,358)	(259,990)	(202,293)	(537,959)	(259,490)	(282,981)	(199,550)	(319,078)
Net Loss per share (basic and diluted)	$ (0.09)	$ (0.11)	$ (0.09)	$ (0.26)	$ (0.13)	$ (0.14)	$ (0.10)	$ (0.16)
	Mar. 31/18	**Dec. 31/17**	**Sept. 30/17**	**June 30/17**	**Mar. 31/17**	**Dec. 31/16**	**Sept. 30/16**	**June 30/16**
Total assets	$ 229,786	$ 458,422	$ 546,975	$ 433,707	$ 358,131	$ 209,513	$ 237,509	$ 435,226
Long term liabilities	15,135	13,383	15,887	6,447	6,407	6,368	6,329	6,251

Breakdown of Expenses for Nine Months

	2017	2016
ADMINISTRATION:		
Wages and management fees	**$ 130,223**	**$ 156,200**
Depreciation	**1,730**	**20,829**
Accretion for provision for dismantling	**-**	**157**
Professional fees	**27,399**	**21,179**
Office expenses	**64,519**	**80,663**
Directors fees and expenses	**6,400**	**3,591**
Travel & entertainment	**8,725**	**10,629**
Regulatory fees	**10,180**	**10,707**
	$ 249,177	**$ 303,954**
RESEARCH AND DEVELOPMENT:		
Wages and benefits	**$ 257,219**	**$ 264,754**
Contractors	**11,882**	**21,027**
Growing trials	**10,024**	**28,574**
Rent and utilities	**93,588**	**99,783**
Depreciation	**25,938**	**32,951**
Other expenses	**52,713**	**47,788**
Government assistance	**(16,620)**	**(59,725)**
	$ 434,743	**$ 435,153**

Comparison of the nine months ended March 31, 2018 to the nine months ended March 31, 2017

During the nine months ended March 31, 2018, the Company recorded total expenses of $683,920, compared to $739,107 in the prior year, a reduction of $55,187. Administration costs decreased by $54,777, and research and development costs decreased by $410.

The administration cost decrease was primarily due to decreases of $25,977 in wages and management fees due to the Controller leaving in August 2017 and replaced by the CFO under professional fees, and $19,099 in depreciation. There were a number of small decreases in research and development expenses which were partially offset by a decrease of $43,105 in government grants; the Company was required to repay $12,280 as a partial amount of a grant under the terms of the agreement.

During the nine months ended March 31, 2018, the Company generated miscellaneous income of $862, realized a gain of $3,898 on the sale of warehouse equipment, incurred interest expenses of $1,503 and earned interest income of $222, resulting in a net loss for the nine months of $680,441 or $0.29 per share. In the previous year, the Company incurred interest expenses of $2,929 and earned interest income of $14, resulting in a net loss for the nine months of $742,022 or $0.37 per share.

Comparison of the three months ended March 31, 2018 to the three months ended March 31, 2017

During the three months ended March 31, 2018, the Company recorded total expenses of $221,455, compared to $259,571 in the prior year. Administration costs decreased by $35,058, and research and development costs decreased by $3,912.

The administration cost decrease was primarily due to decreases of $11,694 in wages and management fees, depreciation of $6,489, and $8,582 in office expenses. The research and development decrease was due to reductions in wages and benefits of $15,652 offset by a decrease of $32,610 due to a partial grant repayment of $12,280.

During the three months ended March 31, 2018, the Company incurred interest expenses of $401 and realized a gain on the sale of warehouse equipment, resulting in a net loss for the three months of $217,858 or $0.09 per share. In the previous year, the Company incurred interest expenses of $838, resulting in a net loss for the three months of $260,409 or $0.13 per share.

Liquidity and Capital Resources

During the nine months ended March 31, 2018, the Company spent $752,180 in cash on operating and investing activities, and received $576,000 from financing activities, for a net cash outflow of $176,180, leaving a net cash balance of $37,777 at March 31, 2018.

At March 31, 2018, the Company had total liabilities of $248,989, a decrease of $99,480 from June 30, 2017. The Company had a working capital deficiency of $158,745 compared to a deficiency of $71,660 at June 30, 2017. There are no committed capital expenditures required to meet the Company's planned research and development efforts. The Company signed a new four year lease on its premises in Burnaby, expiring on May 31, 2021. The remaining commitment for rent and operating costs is $416,802 for the remainder of the renewal term; the Company paid a security deposit of $7,612 which will be applied against the final month's rent.

The Company is dependent on cash from new financing activities and a $100,000 bank line of credit in order to meet its obligations. Until the Company generates significant sales, it will be relying on new financing and any difficulty in raising new funds from these activities will have a significant impact on the Company's ability to operate. The Company anticipates that it will be able to raise new financing to cover its operating needs through private placements.

Share Capital

In October 2017, the Company completed a private placement of 192,000 units at $3.00 per unit for gross proceeds of $576,000. Each unit consisted of one common share and one warrant exercisable at $5.00 per share expiring in five years. As.at May 22, 2018, the Company has 2,435,513 common shares issued and outstanding for a total of $40,903,264 in share capital. There are 1,061,125 warrants exercisable into common shares at a weighted average exercise price of $8.22 and 175,500 stock options exercisable into common shares at a weighted average exercise price of $5.00.

As at May 22, 2018, the Company was in the process of closing a non-brokered convertible loan of $300,000 (the “loan”) for a one year term with interest at 5.00% per annum, payable quarterly. The loan may be converted into 300,000 shares and 300,000 warrants exercisable at $1.50 per share expiring in five years. The Company has received $150,000 towards the loan as at May 22, 2018.

Off Balance Sheet Arrangements

To the best of management’s knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

Business Development

The Company’s focus has been the development, formulation and launch of its first generation product, TerraBioGen LCFX and its next generation products. The Company has pre-marketed LCFX to select, influential Canadian commercial greenhouse vegetable growers. Based on the results of the pre-market trials, the Company is further improving its formulations to optimize performance and is repeating trials to confirm product formulation efficacy. To support the launch of LCFX, the Company is collaborating with Canada’s National Research Council, the University of Guelph, and McMaster University in understanding the mechanism of action of its bioactive materials.

The Company continues to conduct extensive research on its next generation of microbial metabolite bioactive materials through strain development and characterization, process optimization and formulation. The Company is working closely with grower/cooperator partners to ensure that the products are well formulated and effective.

Patents

In September 2016, the Company filed a provisional patent with the US Patent and Trademark Office for its lead strain with claims covering production process and product formulation, and product application and performance on a wide variety of crops. The Company had until the end of September 2017 to file the full patent with the USPTO and PCT. However, the Company decided to postpone filing in order to incorporate further technical improvements through a renewed provisional patent.

Transactions with Related Parties

During the nine months ended March 31, 2018, Consulting fees of $19,193 (2017 - $4,000) were expensed for services provided by a company controlled by an officer. Prepaid expenses includes fees prepaid to directors of $7,800 (2017 - $Nil). Fees to directors of $6,400 (2017 - $10,600) were expensed during the nine months, and fees of $20,000 (2017 – $9,600) were paid to directors during the nine months ended March 31, 2018.

Critical Accounting Estimates and Judgments

The preparation of these consolidated financial statements requires management to make certain critical accounting estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. It also requires management to exercise judgment in applying the Company's accounting policies. Significant areas requiring the use of management estimates include the fair value measurements for equity instruments. Actual results could differ from those estimates.

Information about assumptions and estimation uncertainties in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are included in the following notes:

- Note 11 Share capital – fair value measurements for equity instruments

Information about critical judgments that management has made in applying the Company's accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include the going concern assessment, the classification of financial instruments, the applicability of government assistance programs, and the determination of cash generating units for purposes of impairment testing.

Changes in Accounting Polices

New standards and interpretations not yet adopted

The following is an overview of accounting standard changes that the Company will be required to adopt in future years. The Company does not expect to adopt any of these standards before their effective dates. The Company continues to evaluate the impact of these standards on its consolidated financial statements.

(a) IFRS 9 - Financial Instruments:

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)).

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The standard introduces additional changes relating to financial liabilities.

It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management.

The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on July 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

(b) IFRS 15 Revenue from Contracts with Customers

On May 28, 2014 the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard is effective for annual periods beginning on or after January 1, 2017. On July 22, 2015, the IASB deferred the effective date of this standard to January 1, 2018 with earlier adoption permitted. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on July 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

(c) IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 – Leases, which supersedes IAS 17 – Leases. IFRS 16 establishes principals for the recognition, measurements presentation and disclosure of leases. The standard establishes a single model for lessees to bring leases on balance sheet while lessor accounting remains largely unchanged and retains the finance and operation lease distinctions. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with earlier adoption permitted, but only if also applying IFRS 15 – Revenue from Contracts with Customers.

Financial Instruments

The Company's financial instruments consist of cash, amounts receivable and accounts payables and accrued liabilities. The fair values of these financial instruments approximate carrying value because of their short-term nature. Cash and government grants receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable, accrued liabilities and customer deposits are classified as other financial liabilities and are measured at amortized cost.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Foreign exchange risk

Almost all of the Company's operating expenditures are denominated in Canadian dollars and certain operating expenses are in United States dollars. The Company's exposure to foreign currency risk arises primarily on fluctuations between the Canadian dollar and the United States dollar.

The Company has not entered into any derivative instruments to manage foreign exchange fluctuations.

At March 31, 2018 and June 30, 2017, a change of 10% +/- in the US dollar would not result in a significant impact in the statements of loss and comprehensive loss.

Interest rate risk

The Company is subject to interest on its bank loans which are at negotiated rates of interest. Significant increase in these interest rates would result in increased costs for the Company.

Credit risk

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. The credit risk associated with cash is believed to be minimal as cash is on deposit with Canadian banks that are believed to be creditworthy. Amounts receivable is comprised primarily of amounts due from the Government of Canada. The Company does not believe it is exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined above.

The Company monitors its ability to meet its short-term operating expenditures by raising additional funds through share issuance when required. All of the Company's financial liabilities have contractual maturities of 30 days or are subject to normal trade terms.

Reclassifications

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

Additional Information

Additional information about TerraBioGen Technologies Inc. can be found on SEDAR at www.sedar.com or on the Company's website at www.TerraBioGen.com.